

1 October 2013

The Manager  
Company Announcements Office  
Australian Securities Exchange

### **2013 NOTICE OF ANNUAL GENERAL MEETING**

The following documents will be mailed to shareholders on 1 October 2013 in relation to the 2013 Annual General Meeting of BC Iron Limited to be held on Tuesday, 12 November 2013 at 10:00am (WST):

- Notice of Meeting (including Explanatory Notes);
- Voting Form; and
- 2013 Annual Report (in accordance with elections made by shareholders).

The 2013 Annual Report is available on the Company's website at [www.bciron.com.au](http://www.bciron.com.au).

Yours faithfully,



ANTHEA BIRD  
COMPANY SECRETARY

Enc.



## **BC IRON LIMITED**

**ABN 21 120 646 924**

# **2013 Notice of Annual General Meeting and Explanatory Statement**

**Annual General Meeting to be held at  
The Celtic Club, 48 Ord Street, West Perth, Western Australia  
on Tuesday, 12 November 2013 commencing at 10.00am (WST)**

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser without delay.

## Notice of Annual General Meeting

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Notice is given that the Annual General Meeting of BC Iron Limited (ABN 21 120 646 924) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 12 November 2013 commencing at 10.00am (WST). Registration will be open at 9:30am (WST).

### BUSINESS OF THE MEETING

#### FINANCIAL STATEMENTS AND REPORTS 2013

To receive and consider the annual financial report of the Company, the Directors' Report and the Independent Audit Report for the year ended 30 June 2013.

Copies of these reports have been sent to Shareholders and are available on the Company's website - [www.bcion.com.au](http://www.bcion.com.au).

### ORDINARY BUSINESS

#### RESOLUTION 1 – RE-ELECTION OF MR ANDREW HASLAM AS DIRECTOR

To consider and, if thought fit, to pass as an ordinary resolution:

*To elect as Director of the Company, Mr Andrew Haslam, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.*

#### RESOLUTION 2 – ELECTION OF MR MICHAEL YOUNG AS DIRECTOR

To consider and, if thought fit, to pass as an ordinary resolution:

*To elect as Director of the Company, Mr Michael Young, who was appointed as a Director of the Company since the last general meeting and, being eligible, offers himself for election.*

#### RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass as an ordinary resolution:

*To adopt the Remuneration Report for the year ended 30 June 2013.*

Note - The vote on the Remuneration Report is advisory only and does not bind the Directors or the Company. Shareholders should note that the result of the vote on this item may affect the 2014 Annual General Meeting. Under the Corporations Act, if 25% or more of votes cast at the Meeting are against this resolution (constituting a 'first strike'), a resolution on whether to hold a further meeting to spill the Board (a 'spill resolution') would be put to shareholders if a 'second strike' occurs at the 2014 Annual General Meeting. This spill resolution would be included in the 2014 Notice of Meeting.

#### Voting exclusion:

Votes cannot be cast, and the Company will disregard any vote cast, on Resolution 3 by, or on behalf of:

- (a) a member of the key management personnel as disclosed in the Remuneration Report ("**Key Management Personnel**"); and
- (b) a closely related party (such as close family members and any controlled companies) of those persons,

unless the vote is cast by a person as a proxy for a person entitled to vote in accordance with a direction on the Proxy Form or by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit, even if Resolution 1 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

#### **RESOLUTION 4 – GRANT OF PERFORMANCE RIGHTS TO MR MORGAN BALL**

To consider and, if thought fit, to pass as an ordinary resolution:

***That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given to grant up to 150,000 performance rights (and the issue of Shares if those performance rights vest) to the Managing Director of the Company, Mr Morgan Ball, with respect to the financial year ending 30 June 2014, in accordance with the BC Iron Limited Employee Performance Rights Plan ("Plan") and on the terms set out in the Explanatory Statement.***

#### **Voting exclusion:**

The Company will disregard any vote cast on Resolution 4 by Mr Morgan Ball and any of his associates, unless:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a member of Key Management Personnel and their closely related parties may not vote (and the Company will disregard any such votes) as a proxy on Resolution 4 if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if Resolution 4 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

#### **RESOLUTION 5 – RENEWED APPROVAL OF EMPLOYEE PERFORMANCE RIGHTS PLAN**

To consider and, if thought fit, to pass as an ordinary resolution:

***That, for the purposes of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, shareholders approve the Company's Employee Performance Rights Plan ("Plan"), a summary of which is set out in the Explanatory Statement, and the grant of performance rights and issue of Shares on their vesting under the Plan.***

#### **Voting Exclusion:**

The Company will disregard any vote cast on Resolution 5 by a Director (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of a Director, unless:

- (a) it is cast by a person as a proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, a member of Key Management Personnel and their closely related parties may not vote (and the Company will disregard any such votes) as a proxy on Resolution 5 if the appointment does not specify how the proxy is to vote, unless the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if Resolution 5 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

## **SPECIAL BUSINESS**

### **RESOLUTION 6 – RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS**

To consider and, if thought fit, pass the following as a special resolution:

***That the Company renew the Proportional Takeover Provisions contained in clause 21 of the Company's Constitution for a period of three years from and including the date of this Resolution.***

**By order of the Board of Directors**



**Anthea Bird**  
Company Secretary  
1 October 2013

## Important information for Shareholders

### Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it. The glossary at the end of the Explanatory Statement contains definitions of capitalised terms used in this Notice of Meeting and the Explanatory Statement.

### Required majorities

Resolutions 1 to 5 are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

Resolution 6 is a special resolution. A special resolution requires a 75% majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

### Proxies

All Shareholders who are entitled to attend and vote at the meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder. Shareholders holding two or more shares can appoint either one or two proxies. If two proxies are appointed, the appointing Shareholder can specify what proportion of their votes they want each proxy to exercise.

To vote by proxy, please complete and return the proxy form enclosed with this Notice of Meeting as soon as possible. To be effective, a completed proxy form must be received by **no later than 10.00am (WST) on Sunday 10 November 2013**, being not less than 48 hours prior to the commencement of the meeting.

Proxy forms should be sent to Computershare Investor Services at GPO Box 242 Melbourne Victoria 3001 Australia or faxed to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in the same way as the proxy form.

### Corporate representatives

A body corporate may appoint an individual as its representative to attend and vote at the meeting and exercise any other powers the body corporate can exercise at the meeting. The appointment may be a standing one. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company. An appointment form is included with this Notice of Meeting.

### Voting entitlements

The Board has determined that, for the purpose of voting at the meeting, Shareholders are those persons who are the registered holders of Shares at 10.00am (WST) on Sunday 10 November 2013.

## **Explanatory Statement**

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This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Annual General Meeting of the Company convened for Tuesday, 12 November 2013 commencing at 10.00am (WST).

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

### **BUSINESS OF THE MEETING**

#### **FINANCIAL STATEMENTS AND REPORTS 2013**

The Corporations Act requires the Company to lay before the Annual General Meeting the Financial Report, Directors' Report (including the Remuneration Report) and the Auditor's Report for the last financial year that ended before the Annual General Meeting. Copies of these reports have been sent to Shareholders and are also available on the Company's website - [www.bcion.com.au](http://www.bcion.com.au).

No resolution is required for this item, but Shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the meeting and Shareholders will be given the opportunity to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

#### **RESOLUTION 1 – RE-ELECTION OF MR ANDREW HASLAM AS DIRECTOR**

In accordance with clause 11.2 of the Company's Constitution, at each Annual General Meeting of the Company, one-third of the Directors (other than the Managing Director), or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, need to retire from office by rotation. Further, and in accordance with the ASX Listing Rules, no Director may retain office for more than three years without submitting himself or herself for re-election even though this would result in more than one-third of the Directors retiring from office.

Accordingly, Mr Haslam is required to retire by rotation at the Annual General Meeting, and being eligible, offers himself for re-election as a Director.

Further information on Mr Haslam is included in the 2013 Annual Report which has been sent to shareholders and is also available on the Company's website - [www.bcion.com.au](http://www.bcion.com.au).

**Recommendation:** The Directors (excluding Mr Haslam) recommend that Shareholders vote in favour of Resolution 1.

#### **RESOLUTION 2 – ELECTION OF MR MICHAEL YOUNG AS DIRECTOR**

Mr Young was appointed as a Director by the Board on 10 May 2013. He was previously the Managing Director of the Company and as such, has not previously been elected as a Director. In accordance with clause 11.4 of the Company's Constitution, the Board can appoint a person to be a Director, either to fill a casual vacancy or in addition to the existing Directors. However, any Director so appointed by the Board



holds office until the next general meeting of the Company. Accordingly, Mr Young is required to retire at the Annual General Meeting, and being eligible, offers himself for election as a Director.

Further information on Mr Young is included in the 2013 Annual Report which has been sent to Shareholders and is also available on the Company's website - [www.bcion.com.au](http://www.bcion.com.au).

**Recommendation:** The Directors (excluding Mr Young) recommend that Shareholders vote in favour of Resolution 2.

### **RESOLUTION 3 – ADOPTION OF REMUNERATION REPORT**

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of non-executive Directors, Managing Director and senior executives and is set out in the Company's 2013 Annual Report. The Company takes ongoing advice from independent remuneration consultants in relation to its remuneration practices. The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be provided with a reasonable opportunity to ask questions and to make comments on the Remuneration Report at the Annual General Meeting.

**Recommendation:** The Directors recommend that Shareholders vote in favour of Resolution 3.

### **RESOLUTION 4 – GRANT OF PERFORMANCE RIGHTS TO MR MORGAN BALL**

#### **Background**

Shareholder approval is being sought for the grant of performance rights to the Managing Director of the Company, Mr Morgan Ball, in accordance with the BC Iron Employee Performance Rights Plan ("**Plan**"). The Plan was last approved by Shareholders at the 2010 Annual General Meeting as an exception to the Company's 15% placement capacity in accordance with Listing Rule 7.2 (Exception 9). As Shareholder approval is required for the Plan every three years, Resolution 5 seeks renewed Shareholder approval for the Plan.

The Company established the Plan to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance and rewarding and retaining executives.

Under his employment agreement, Mr Ball is currently entitled to receive fixed annual remuneration of a base salary plus statutory superannuation of \$573,562. In addition, subject to the Board's discretion, Mr Ball may be entitled to a variable remuneration component in the form of a short-term incentive component (which is in cash and based on meeting defined key performance indicators), and a long term incentive component made up of an equity component, namely options or performance rights (subject to requisite shareholder approvals first being obtained) and a cash component. Any total variable incentive payable is capped at 100% of fixed remuneration in the relevant year.

Under the Plan, the Board has the discretion to grant performance rights to any person it declares eligible upon the terms set out in the Plan. A performance right is, in effect, a contractual right to be issued with a fully paid ordinary share in the Company ("**Share**") on the satisfaction of certain conditions.





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### **Approval sought**

The Listing Rules require that shareholder approval be obtained for the acquisition of securities by directors under an employee incentive scheme. Mr Ball is a director of the Company. Mr Ball was appointed as Finance Director in December 2011 and Managing Director in May 2013. Shareholder approval is being sought to grant up to 150,000 performance rights to Mr Ball for the year ending 30 June 2014. The actual number of performance rights to be granted will be calculated after 30 June 2014 based on the issue formula set out below. These performance rights will not vest into Shares until 1 July 2016, and this is contingent upon the nominated performance conditions being satisfied.

### **Previous approvals for directors**

Details of performance rights previously approved for Directors are set out below.

- Approval for the grant of 45,361 performance rights to Mr Ball in relation to the year ended 30 June 2011 was obtained at the 2011 Annual General Meeting. These performance rights vested and all converted to Shares on 3 July 2013.
- Approval for the grant of 69,206 performance rights to Mr Ball in relation to the year ended 30 June 2012 was obtained at the 2012 Annual General Meeting, and these were subsequently granted on 20 November 2012.
- Approval for the grant of up to 150,000 performance rights to Mr Ball in relation to the year ended 30 June 2013 was obtained at the 2012 Annual General Meeting. An allocation of 73,614 performance rights in relation to the year ended 30 June 2013 will be made on or about 4 October 2013.
- Approval for the grant of 61,856 performance rights to Mr Michael Young in relation to the year ended 30 June 2011 and 86,508 in relation to the year ended 30 June 2012 was obtained at the 2011 Annual General Meeting and these were subsequently granted on 1 December 2011 and 3 September 2012 respectively. All performance rights awarded to Mr Young lapsed on 10 May 2013 when he ceased to be Managing Director of the Company.
- No other Directors have received performance rights.

### **Recommendation of the Non-Executive Directors**

As detailed below, a relative Total Shareholder Return (“TSR”) performance condition has been chosen to determine vesting of performance rights as it is widely recognised as one of the best indicators of shareholder value creation. TSR represents the change in market value of the Company over time, including dividends and any other distributions made to shareholders.

The non-executive Directors believe that it is appropriate to provide Mr Ball with long-term incentive elements in his remuneration package which is directly related to total shareholder return. The grant of performance rights forges a direct link as between remuneration and the overall return to Shareholders. The long term incentive is also cast in such a way as it constitutes an incentive for the recipient to remain with the Company for a considerable period of time. As shown in the example below (at the end of the paragraph headed Summary) the performance rights issued in relation to the year ended 30 June 2014 will

not vest until 1 July 2016 at the earliest (subject to the satisfaction of the performance conditions) and require the recipient to be an employee at that time.

The non-executive Directors are of the view that the remuneration for Mr Ball, including the proposed grant of performance rights, is reasonable having regard to his position in the Company, the duties and responsibilities of his position, and market levels of remuneration for Managing Directors of similar companies. The Company regularly takes independent advice on its remuneration structure, including benchmarking against peer companies.

### **Terms of the Performance Rights**

All performance rights to be granted will be on terms consistent with the rules of the Plan. A detailed summary of the Plan is set out in Resolution 5 below.

The key terms of the performance rights are as follows:

#### *Grant of performance rights*

Mr Ball may be invited to apply for, and if that application is accepted, will be issued, the number of performance rights to be determined in accordance with the following formula:

$$P = 0.4 \times \frac{S}{\text{VWAP}}$$

#### **(“Issue Formula”)**

Where:

- ‘P’ is the whole number of performance rights under the Plan for which Mr Ball will be invited to apply;
- ‘S’ is the sum of Mr Ball’s fixed base salary and superannuation payable for the applicable period; and
- ‘VWAP’ is the 30 day volume weighted average price of ordinary shares in the Company on the ASX at 30 June of the relevant financial year.

Each performance right is an entitlement to one Share, subject to satisfaction of the performance and vesting conditions outlined below.

#### *Performance conditions*

The performance rights issued will not vest (and the underlying Shares will not be issued) unless certain performance conditions have been satisfied. The grant of performance rights is designed to reward long term sustainable business performance measured by relative TSR performance conditions over a two year period.

The performance conditions will be measured by comparing the Company’s TSR with that of a comparator group of companies based on the Argonaut Junior Iron Ore Index (as defined in the Glossary below) over the period from 1 July in the financial year to which the grant of the performance rights relates to 30 June

in the financial year that is 2 years after that date (“**Vesting Date**”) – see the example below by way of illustration.

The performance rights will vest depending on the Company’s percentile ranking within the comparator group on the relevant Vesting date as follows:

<b>BC Iron TSR rank</b>	<b>Performance rights vesting</b>
Below 50 <sup>th</sup> percentile	0%
At 50 <sup>th</sup> percentile	50%
Between 51 <sup>st</sup> and 100 <sup>th</sup> percentile	Between 51% and 100% on a straight line basis

In addition, the performance rights will not vest if Mr Ball is not an employee as at the vesting date.

#### *Consideration*

No consideration is payable by Mr Ball at the time of the grant of the performance rights or upon the allocation of Shares to which they may become entitled on the vesting dates

#### **Summary**

For additional clarity, if Resolution 4 is approved by Shareholders, the performance rights to be issued to Mr Ball will be calculated and treated as follows:

- On or about 1 July 2014, Mr Ball will be issued, at no cost, a number of performance rights calculated in accordance with the Issue Formula above by reference to his fixed remuneration as at 30 June 2014 and the Company’s VWAP over the 30 days to 30 June 2014. The maximum number of performance rights that could be issued will be 150,000.
- On 30 June 2016, the performance of the Company will be evaluated over the period 1 July 2014 to 30 June 2016 by reference to the TSR over that period, and some or all performance rights will vest in Mr Ball according to the TSR criteria set out above. If the TSR criteria are not met, then no performance rights will vest for conversion into Shares.
- As soon as practicable after the vesting date, the Company must convert vested performance rights to Shares in the Company at no cost to Mr Ball.

*Example: An employee of the Company is issued 60,000 performance rights in July 2014. If the Company’s TSR was at the 50% percentile for the two year period from 1 July 2014 to 30 June 2016, this would mean that only 50% of the performance rights would vest into Shares. So, of the 60,000 performance rights issued to the employee in 2014, only 30,000 would vest. The employee would only be able to convert those 30,000 performance rights into Shares. If the Company’s TSR was below the 50% percentile for the two year period from 1 July 2014 to 30 June 2016, then no performance rights would vest into shares.*



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### Regulatory information

#### *Corporations Act*

The non-executive Directors are of the view Mr Ball's remuneration package, including the grant of the performance rights, is reasonable for the purposes of Chapter 2E of the Corporations Act, having regard to the circumstances of the Company and their circumstances (including the responsibilities involved in their respective offices). Accordingly, Shareholder approval under Chapter 2E of the Corporations Act is not required to be sought. Further details of Mr Ball's remuneration package are included in the Company's Remuneration Report set out in the Company's Annual Report.

#### *Listing Rules*

Under ASX Listing Rule 10.14, the acquisition of securities by a director under an employee incentive scheme requires shareholder approval. As Mr Ball is a Director of the Company, Shareholder approval is required.

The following information is provided for the purposes of Listing Rule 10.15.

- (a) The maximum number of performance rights that can be granted to Mr Ball is 150,000 for the financial year ending 30 June 2014, the actual number to be determined in accordance with the Issue Formula.
- (b) The price payable on the issue or exercise of each performance right is nil.
- (c) Shareholders last approved the grant of performance rights to Directors under the Plan at the Company's 2012 Annual General Meeting. Of these, 69,206 performance rights were approved to be granted to Mr Ball in relation to the year ended 30 June 2012. They were subsequently granted, for nil consideration, on 20 November 2012.
- (d) Mr Morgan Ball is the only person referred to in Listing Rule 10.14 entitled to participate in the Plan.
- (e) There are no loans proposed in relation to the grant of the performance rights to Mr Ball.
- (f) The performance rights that are granted to Mr Ball are intended to be granted on or about 1 July 2014 and in any event will not be granted later than 12 months after the date of approval by Shareholders at the Annual General Meeting.

**Recommendation:** The Directors (excluding Mr Ball) recommend that Shareholders vote in favour of Resolution 4.

### **RESOLUTION 5 – RENEWED APPROVAL OF EMPLOYEE PERFORMANCE RIGHTS PLAN**

Resolution 5 seeks the renewed approval of Shareholders for the Company's Employee Performance Rights Plan ("Plan") and for the issue of performance rights (and Shares on their vesting) under the Plan. The Plan was initially approved by Shareholders at the 2010 Annual General Meeting held on 19 November 2010. Under the ASX Listing Rules, a refreshed approval is required every 3 years.

ASX Listing Rule 7.1 provides that a listed company may not issue equity securities equal to more than 15% of that company's issued share capital in any 12 months without obtaining shareholders' approval. An



exception to ASX Listing Rule 7.1 is set out in ASX Listing Rule 7.2 (Exception 9) which provides that issues under an employee incentive plan are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the plan as an exception to ASX Listing Rule 7.1.

The two main purposes of the Plan are to give an incentive to the eligible participants to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward eligible participants for their efforts.

### **Performance rights issued under the Plan since last Shareholder approval**

The Company presently has 331,342 performance rights on issue. Since the Plan was last approved on 19 November 2010:

- (a) 665,193 performance rights have been issued under the terms of the Plan for nil consideration;
- (b) 174,246 performance rights have vested and converted to ordinary shares; and
- (c) 159,605 performance rights have been forfeited.

### **Plan summary**

For the purposes of ASX Listing Rule 7.2 (Exception 9) a summary of the terms and conditions of the Plan is set out below.

- (a) **Eligible Participants:** The eligible participants under the Plan are full time employees and permanent part-time employees (including Directors) of the Company and its subsidiaries. As noted above, Shareholder approval is required before any Director or related party of the Company can participate in the Plan.
- (b) **Limits on Entitlements:** The maximum number of Shares that is issuable under the Plan, when combined with the number of Shares issued during the previous five years pursuant to the Plan or any other employee incentive scheme of the Company but disregarding any offer made, or Performance Rights acquired or Shares issued by way of or as a result of:
  - (i) an offer to a person situated at the time of receipt of the offer outside Australia; or
  - (ii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
  - (iii) an offer made under a disclosure document,must not exceed 5% of the total number of issued Shares.
- (c) **Individual Limits:** The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.
- (d) **Consideration Payable:** Performance Rights will be granted for no consideration. Upon Performance Rights vesting under the Plan, Shares may be issued for no monetary consideration, or the Board may, at the time of grant, in its discretion, specify an amount payable for the issuance of Shares as a performance condition attached to a Performance Right.
- (e) **Vesting:** The Performance Rights granted under the Plan and the performance conditions that must be satisfied in order for the Performance Rights to vest, will be determined by the Board and expressed in a written invitation (“Invitation”) made by the Company to the eligible participant which is subject to acceptance by the eligible participant within a specified period. The performance conditions may include one or more of:

- (i) employment of a minimum period of time;
- (ii) achievement of specific performance objectives by the participant and/or by the Company;
- (iii) payment of consideration for the issuance of Shares, as described above; or
- (iv) such other performance objectives as the Board may determine and set out in the Invitation.

The Board will determine whether performance conditions have been met and Performance Rights therefore have vested. Upon Performance Rights becoming vested, the Company shall issue Shares to the eligible participant without further action being required on the part of the participant.

- (f) **Term and Lapse:** Performance Rights have a term as the Board may determine in its absolute discretion and specify in the Invitation and are subject to lapsing if performance conditions are not met by the relevant measurement date or expiry date (if no other measurement date is specified) or if employment is terminated for cause or in circumstances other than as described in the next paragraph.
- (g) **Restriction on dealing with Shares:** Shares issued to a participant under the Plan must be held by the participant subject to transfer, dealing or disposal restrictions during the period determined by the Board. The Company may make such arrangements as it considers necessary to enforce any restriction on dealing with Shares, including placing the shares in a holding lock. A participant may submit a request for the Board to waive the Restriction Period and the Board may approve or reject such request in its absolute discretion or on such conditions as the Board determines.
- (h) **Disability, Redundancy or Death:** Under the Plan, upon the total and permanent disability, redundancy or death of a participant, as defined in the Plan, performance conditions will be deemed to have been satisfied or waived and an eligible participant will be entitled to receive Shares in respect of any unexercised Performance Rights within:
  - (i) 6 months from the date of disability, redundancy or death; or
  - (ii) such longer period as the Board may determine not being longer than the original expiry time of the Performance Rights.

Performance Rights which have not vested within the 6 months or such longer period determined by the Board following the total and permanent disability, redundancy or death of a participant, will automatically lapse.

- (i) **Forfeiture:** If a participant acts fraudulently or dishonestly, is in breach of his or her obligations to the Company or ceases to be employed by the Company for any reason other than disability, redundancy or death, the Board will have the discretion to deem any Performance Rights to have lapsed and deem any Performance Rights that have become Shares to be forfeited.
- (j) **Assignment:** Without approval of the Board, Performance Rights may not be transferred, assigned or novated, except, upon death, a participant's legal personal representative may elect to be registered as the new holder of such Performance Rights and exercise any rights in respect of them.
- (k) **Takeover Bid or Change of Control:** All Performance Rights automatically vest in the event of
  - (i) upon a takeover bid (as defined in the Corporations Act) becoming or being declared to be unconditional;
  - (ii) a change of control of the Company; or



- (iii) approval by the court of a merger by way of scheme of arrangement, except that if Performance Rights require the payment of an amount in order to vest and Shares to be issued and the amount is not paid within a notice period provided by the Company, such Performance Rights will lapse at 5.00pm WST on the last day of the notice period.
- (l) **Alteration in Share Capital:** If there is a reorganisation of the share capital of the Company, the number of Shares, to which an eligible participant is entitled to receive upon exercise of a Performance Right will be adjusted in the way specified by the Listing Rules from time to time.
- (m) **No Participation Rights:** There are no participation rights or entitlements inherent in the Performance Rights and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Rights.
- (n) **Amendments to Plan:** The Board may at any time and from time to time by resolution alter the Plan. However, any amendment to the Plan is subject to any restrictions or procedural requirements relating to the amendment or the rules of an employee incentive scheme imposed by the Listing Rules or applicable securities laws.
- (o) **Suspension or Termination:** The Board may suspend or terminate the Plan at any time, without notice, but the suspension or termination will not affect any existing grants of Performance Rights already made.

**Recommendation:** The Directors recommend that Shareholders vote in favour of Resolution 5.

## **SPECIAL BUSINESS**

### **RESOLUTION 6 – RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS**

#### **Background**

Under the Corporations Act, a company is empowered to include in its constitution a provision to enable the company to refuse to register shares acquired under a proportional takeover bid unless a resolution is passed by shareholders in general meeting approving the offer.

At the Company's 2010 Annual General Meeting, the Company amended its constitution to insert clause 21 (as set out in Schedule 1) to deal with proportional takeover bids. Clause 21 ceases to have effect on 19 November 2013, being three years from its original approval. The Directors consider that it is appropriate to renew approval for clause 21 for a further term of three years (after which it will have to be renewed by a further special resolution of Shareholders).

#### **Proportional takeover bids**

A proportional takeover bid is an off market takeover offer sent to all Shareholders but only in respect of a specified portion of each Shareholder's Shares in the Company (i.e. less than 100%). Accordingly, if a Shareholder accepts in full the offer under a proportional takeover bid, the Shareholder will dispose of the specified portion of the Shareholder's Shares and retain the balance of the Shares.

#### **Effect of proportional takeover provision**

The effect of clause 21 is that if a proportional takeover bid is made to Shareholders, the Directors are obliged to convene a meeting of Shareholders to be held at least 15 days before the offer closes. The purpose of the meeting is to vote on a resolution to approve the proportional takeover bid. For the resolution to be approved, it must be passed by a simple majority of votes at the meeting, excluding votes of the bidder and its associates.



## **BC IRON** LIMITED

BC Iron Limited  
ABN 21 120 646 924

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If no such resolution is voted on within the required timeframe, the resolution is deemed to have been approved. This, in effect, means that Shareholders as a body may only prohibit a proportional takeover bid by rejecting such a resolution.

If the resolution is approved or deemed to have been approved, transfers of Shares under the proportional takeover bid (provided they are in all other respects in order for registration) must be registered.

If the resolution is rejected, registration of any transfer of Shares resulting from that proportional takeover bid is prohibited and the offer is deemed by the Corporations Act to have been withdrawn.

The proportional takeover provision does not apply to a full takeover bid.

### **Reasons for proposing the resolution**

The Directors consider that Shareholders should have the opportunity to vote on a proposed proportional takeover bid. A proportional takeover bid may result in effective control of the Company changing hands without Shareholders having the opportunity of disposing of all their Shares. Shareholders could be at risk of passing control to the offeror without payment of an adequate control premium for all their Shares whilst leaving themselves as part of a minority interest in the Company.

If Resolution 6 is passed, clause 21 can prevent this occurring by giving Shareholders the opportunity to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.

### **Presently proposed acquisitions**

As at the date of this Explanatory Statement, no Director is aware of any proposal by any person to acquire or increase the extent of a substantial interest in the Company.

### **Potential advantages and disadvantages for the Directors and shareholders**

The Directors consider that clause 21 has no potential advantages or potential disadvantages for the Directors as they remain free to make whatever recommendations it considers appropriate on any proportional takeover bid that may be made. However, the Directors consider that it would be an advantage to them to have the opportunity to ascertain the views of Shareholders on any proportional takeover bid.

The Directors consider that it is a potential advantage to all Shareholders that they have the opportunity to consider and vote upon any proposed proportional takeover bid. For a proportional takeover bid to be approved, it must be approved by more than half of the Shares voted at the meeting excluding the Shares of the bidder and its associates, and accordingly the existence of clause 21 is likely to cause an intending bidder to formulate its offer in a way that would be attractive to a majority of Shareholders. It may also have the effect of not allowing control of the Company to pass without payment of a control premium.

As to the possible disadvantages of clause 21, it may be perceived by some Shareholders that its presence makes a proportional takeover bid less likely to succeed and that therefore the chances of receiving an opportunity to dispose of any part of their Shares would be reduced because potential bidders may be discouraged from making a proportional takeover bid. This may be thought to potentially remove or reduce any speculative element of the market price of the Shares arising from the possibility of a proportional takeover bid. Some Shareholders may consider the presence of clause 21 to be an additional restriction on the ability of individual Shareholders to deal freely with their Shares.

### **Directors' recommendation**

The Directors recommend that vote in favour of Resolution 6.



## GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

<b>Argonaut Junior Iron Ore Index (as at 31 August 2013)</b>	Atlas Iron Limited BC Iron Limited Fortescue Metals Group Limited Grange Resources Limited Mineral Resources Limited Moly Mines Limited Mount Gibson Iron Limited Northern Iron Limited South American Ferro Metals Limited
<b>ASX</b>	the Australian Securities Exchange or ASX Limited ACN 008 624 691, as appropriate
<b>Board</b>	the board of Directors of the Company.
<b>Company</b>	BC Iron Limited ACN 120 646 924.
<b>Constitution</b>	Constitution of the Company
<b>Corporations Act</b>	<i>Corporations Act 2001 (Cth)</i> .
<b>Director</b>	a director of the Company.
<b>Plan</b>	BC Iron Limited's Employee Performance Rights Plan
<b>Performance Right</b>	a right granted under the Plan to acquire a Share on the terms set out in the Plan subject to the satisfaction of certain performance conditions.
<b>Share(s)</b>	a fully paid ordinary share(s) in the capital of the Company.
<b>Listing Rule</b>	a Listing Rule of the ASX.
<b>Shareholder</b>	shareholder of the Company.
<b>WST</b>	Western Standard Time.

## SCHEDULE 1

### 21. Proportional takeover approval

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#### 21.1 Interpretation

In this clause 21:

**Associate** in relation to another person has the meaning given to that term in the Corporations Act;

**Offeror** means a person making an offer for Shares under a Proportional Takeover Bid;

**Proportional Takeover Bid** means a proportional takeover bid as defined in section 9 of the Corporations Act; and

**Relevant Day**, in relation to a Proportional Takeover Bid, means the day that is 14 days before the last day of the bid period.

#### 21.2 Transfers prohibited without approval

Where a Proportional Takeover Bid in respect of Shares included in a class of Shares in the Company has been made:

- (a) the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the Proportional Takeover Bid is prohibited unless and until a resolution (**Approving Resolution**) to approve the Proportional Takeover Bid is passed, or is deemed to have been passed, in accordance with Subdivision C of Chapter 6.5 of the Corporations Act;
- (b) a Member (other than the Offeror or a person associated with the Offeror) who, as at the end of the day on which the first offer under the Proportional Takeover Bid was made, held Shares included in that class is entitled to vote on an Approving Resolution and, for the purposes of so voting, is entitled to 1 vote for each such Share;
- (c) neither the Offeror or an Associate of the Offeror may vote on an Approving Resolution;
- (d) an Approving Resolution must be voted on at a meeting, convened and conducted by the Company, of the Members entitled to vote on the resolution; and
- (e) an Approving Resolution is passed if more than 50% of the votes cast on the resolution by Members Present are in favour of the resolution.

#### 21.3 Meetings

- (a) The provisions of this Constitution relating to a general meeting of the Company apply, with such modifications as the circumstances require, in relation to a meeting that is convened for the purposes of this clause 21.
- (b) The Directors of the Company must ensure that the Approving Resolution is voted on in accordance with this clause before the Relevant Day.



(c) Where an Approving Resolution is voted on in accordance with this clause, then before the Relevant Day, the Company must:

- (i) give to the Offeror; and
- (ii) serve on ASX,

a written notice stating that a resolution to approve the Proportional Takeover Bid has been voted on and that the resolution has been passed or has been rejected, as the case requires.

#### **21.4 Deemed approval**

Where, as at the end of the day before the Relevant Day in relation to a Proportional Takeover Bid, no Approving Resolution to approve the Proportional Takeover Bid has been voted on in accordance with this clause, an Approving Resolution to approve the Proportional Takeover Bid is, for the purposes of this clause, deemed to have been passed under this clause 21.

#### **21.5 Proportional Takeover Bid rejected**

Where an Approving Resolution is voted on and is rejected then:

- (a) despite section 652A of the Corporations Act, all offers under the Proportional Takeover Bid that have not, as at the end of the Relevant Day, resulted in binding contracts are deemed to be withdrawn at the end of the Relevant Day;
- (b) the Offeror must immediately, after the end of the Relevant Day, return to each Member any documents that were sent by the Member to the Offeror with the acceptance of the offer;
- (c) the Offeror may rescind and must, as soon as practicable after the end of the Relevant Day, rescind each contract resulting from the acceptance of an offer made under the Proportional Takeover Bid; and
- (d) a Member who has accepted an offer made under the Proportional Takeover Bid is entitled to rescind the contract (if any) resulting from that acceptance.

#### **21.6 Duration of clause**

This clause 21 ceases to have effect on the later to occur of:

- (a) the third anniversary of its adoption; or
- (b) the third anniversary of its most recent renewal effected under the Corporations Act.



# BC IRON LIMITED

ABN 21 120 646 924

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

### For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000



┌ 000001 000 BCI  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

For your vote to be effective it must be received by 10.00am (WST) on Sunday, 10 November 2013

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** ➔



View the annual report, 24 hours a day, 7 days a week:

[www.bciron.com.au](http://www.bciron.com.au)

To view and update your securityholding:

[www.investorcentre.com](http://www.investorcentre.com)

**Your secure access information is:**

SRN/HIN: I999999999



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of BC Iron Limited hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of BC Iron Limited to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 12 November 2013 commencing at 10.00am (WST) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 3, 4 and 5 (except where I/we have indicated a different voting intention below) even though Resolutions 3, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 3, 4 and 5 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Re-election of Mr Andrew Haslam as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Election of Mr Michael Young as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Grant of Performance Rights to Mr Morgan Ball	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Renewed Approval of Employee Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Renewal of Proportional Takeover Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

<b>Individual or Securityholder 1</b>	<b>Securityholder 2</b>	<b>Securityholder 3</b>
<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>

Sole Director and Sole Company Secretary      Director      Director/Company Secretary

Contact Name \_\_\_\_\_ Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_